

TALENT INVESTMENT FUND

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<http://www.house.mi.gov/hfa>

Senate Bill 942 (H-1) proposed committee substitute
Sponsor: Sen. Goeff Hansen

Analysis available at
<http://www.legislature.mi.gov>

House Committee: Appropriations
Senate Committee: Appropriations
Complete to 6-5-18

SUMMARY:

Senate Bill 942 would amend the Higher Education Loan Authority Act to do all of the following:

- Create the Talent Investment Fund within the state treasury.
- Grant the Michigan Higher Education Student Loan Authority, now part of the Michigan Finance Authority (MFA), the power to deposit \$100.0 million from the Student Loan Operating Fund to the Talent Investment Fund for the fiscal year ending September 30, 2019.
- Provide that the Department of Treasury shall expend the funds upon appropriation only for the purpose of enhancing the economic talent of Michigan residents, increasing access to academic and technical credentials or certifications, improving education opportunities, or other purposes as provided by law.
- Provide that funds in the Talent Investment Fund at the close of the fiscal year remain in the fund and would not lapse to the general fund.

MCL 390.1152, MCL 390.1154, and proposed MCL 390.1158a

BACKGROUND:

Under the Act, and until 2010, the former Michigan Higher Education Student Loan Authority issued bonds to originate and acquire student loans through the Federal Family Education Loan Program (FFELP) and the Michigan Alternative Student Loan Program (Mi-LOAN). Since then MFA has taken steps to reduce the cost of the program including refinancing the bonds, generating excess cash in the student loan operating fund.

According to the State Budget Office, the balance in the student loan operating fund is approximately \$140 million. Based on recommendations of the program's financial advisor, the fund should maintain a balance of at least \$30 million to manage potential changes in federal student loan repayment requirements or changes in loan repayment behavior, leaving a surplus of about \$110 million. Currently, student loan operating funds are invested in various types of securities with maturities ranging from FY 2017-18 to FY 2022-23. Total student loan bonds outstanding amount to \$633 million. A similar transfer of \$90 million was made to the Michigan Merit Award Trust Fund in 2007¹

¹ <http://www.legislature.mi.gov/documents/2007-2008/billanalysis/House/pdf/2007-HLA-4851-4.pdf>

FISCAL IMPACT:

Senate Bill 942 would have no net impact on state revenues or expenditures. The bill would allow for the transfer of \$100.0 million from the student loan operating fund to a newly created Talent Investment Fund. However, an accompanying bill, Senate Bill 941, would appropriate that \$100.0 million from the Talent Investment Fund to support the Governor's Marshall Plan for Talent.

The bill would have no direct fiscal impact on

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.